

FORM 990 REDESIGN FOR TAX YEAR 2008 (FILED IN 2009)
FREQUENTLY ASKED QUESTIONS
February 8, 2008

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Q-1: *Why did the IRS redesign the form?*

A-1: Form 990 has not been significantly revised since 1979, and it is universally regarded as needing major revision. It has failed to keep pace with changes in the law and with the increasing size, diversity, and complexity of the exempt sector. As a result, the current form fails to meet the Service's tax compliance interests or the transparency and accountability needs of the states, the general public, and local communities served by the organization.

Q-2: *When will the new form be effective?*

A-2: The new form will be effective for 2008 tax years (returns filed beginning in 2009). However, special transition rules apply for 2008 and 2009. Most organizations with gross receipts less than \$1,000,000 and total assets less than \$2,500,000 may choose to file the new Form 990 or a Form 990-EZ for the 2008 tax year. Similarly, most organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 may choose to file the new Form 990 or a Form 990-EZ for the 2009 tax year. Beginning with the 2010 tax year, the Form 990-EZ thresholds will be permanently set at less than \$200,000 gross receipts and less than \$500,000 total assets. In addition, special transition rules are

available for organizations that must file the form's new hospital and tax-exempt bond schedules.

Q-3: *How does an organization know which portions of the form or schedules it must complete?*

A-3: Each organization that files the new form must complete all portions of the core form (Parts I through XI). By completing Part IV, Checklist of Required Schedules, the organization will be able to determine which schedules, if any, it must complete.

Q-4: *What are the most significant changes to the current form?*

A-4: The new form is a significant redesign in format and content compared to the current form. Major changes include a front page summary that provides a snapshot of key financial and operating information, a governance section, and revised compensation and related organization reporting. In order to increase reporting compliance, the new form replaces existing "unstructured attachments" (see Q/A-6, below) with formal schedules. Other schedules were added for foreign activities, non-cash contributions, hospitals and tax-exempt bonds, to collect information not required by the current form.

Q-5: *Why does the new form contain a section on governance?*

A-5: The new form requires each filing organization to provide certain information regarding the composition of its board or governing body, certain of its governance policies and practices, and the means by which it is held accountable to the public by making governance and financial information publicly available. Many of the questions request information on practices or policies that are not required by federal tax law. However, good governance and accountability practices provide safeguards that the organization's assets will be used consistently with its exempt purposes. This is a critical tax compliance consideration, especially for organizations that are subject to private benefit, excess benefit, and private inurement prohibitions. In addition, well-governed and well-managed organizations are more likely to be transparent organizations with regard to their operations, finances, fundraising practices, and use of assets for exempt and unrelated purposes.

Q-6: *Why does the new form have so many schedules?*

A-6: The number of schedules increased from two – Schedule A, *Organization Exempt under Section 501(c)(3), Supplementary Information*, and Schedule B, *Schedule of Contributors* – to 16. This increase results from three factors:

- converting the current form's "unstructured attachments" into six schedules (Schedules D, G, I, J, L, and N);

- separating existing parts of the form or Schedule A into four separate schedules (A, C, E, and R); and
- requiring new information reported in five schedules (Schedules F, H, K, M, and O).

Q-7: *What is the benefit of requiring more schedules?*

A-7: The new final Form 990 promotes uniform and complete reporting of information previously requested in unstructured attachments. A major defect of the current Form 990 is the lack of formatted tables in the form itself or in schedules for an organization to use to report and display requested information. Instead, the current form relies on instructions that describe how an organization is to report information in “unstructured attachments” to the form. Frequently, information provided by organizations in these attachments is incomplete, or required attachments are missing.

Q-8: *How does the new form promote tax compliance?*

A-8: The transformation of unscheduled attachments (see Q/A-7, above) in the current form to formal schedules in the new form promotes uniform and complete reporting of requested information. Major modifications to reporting of *compensation* and *related organization* activities will provide more complete information regarding complicated compensation and financial arrangements that may raise concerns about private inurement, excess benefit, and private benefit. The new schedules for *foreign activities*, *hospitals* and *tax-exempt bonds* will provide new information about how an organization conducts activities consistently with its exempt purpose. The schedule for *non-cash contributions* will notify the IRS which organizations are receiving various types of non-cash contributions, allowing it to more closely scrutinize particular types of contributions for compliance with valuation and charitable deduction requirements.

Q-9: *How does the new form enhance transparency of an organization’s mission, financial information, and operations?*

A-9: The new form’s *summary page* provides a snapshot of key financial and operating information, and displays a two-year comparison of summary financial information of the organization. The reordered *core form* provides a description of the organization’s program service accomplishments immediately after the summary page, to provide context before the user proceeds to sections on tax compliance, governance, compensation, and financial statements. The *Checklist of Required Schedules* also provides a quick view of whether the filing organization is conducting activities that raise tax compliance concerns, such as lobbying or political campaign activities, transactions with interested persons, and major dispositions of assets.

Q-10: *Is the new form more burdensome than the current form?*

A-10: Organizations with complicated compensation arrangements, related entity structures, and activities that raise compliance concerns can expect to see an increase in the effort required to complete the form. This increase could be significant in some cases.

Q-11: *Will organizations be able to use the current form, rather than the new form, for the 2008 tax year?*

A-11: No. The current Form 990 will be used for the 2007 tax year (returns filed in 2008), but will not be available for use beginning with the 2008 tax year.

Q-12: *May those organizations that are members of a group that has a group ruling continue to file as part of a group return?*

A-12: Yes, the present filing eligibility requirements for group returns have not changed. Concerns exist about the lack of transparency resulting from the group return process, and administrative difficulties monitoring whether group returns include all elected subsidiaries and whether the remaining subsidiaries are filing a separate Form 990, when required. Some organizations that file group returns have offered to work with the IRS to improve the identification of group members so that the IRS can more easily track which members have been included in a Form 990 filing. Accordingly, the IRS will work with the sector to study changes to group return filing processes and requirements.

Q-13: *Will the new form satisfy an organization's state reporting requirements?*

A-13: State reporting requirements are determined by the individual states. Although many states rely on a Form 990 filing to satisfy various reporting requirements, any impact the new form may have on individual state reporting requirements has not been determined. The IRS will continue to work with states on implementation of the Form 990.

Q-14: *Where can I learn more about the new form?*

A-14: The form and related background information are available on the IRS Web site, IRS.gov/eo. Available information includes a two-page document titled "Highlights of 2008 Form 990," a longer document titled "Background Paper for 2008 Form 990," and separate "Highlights" documents that describe each part of the core form and each schedule.

Q-15: *When will the new form's instructions be available to the public?*

A-15: The IRS plans to release draft instructions for the 2008 Form 990, including for the core form and all of the schedules, in Spring 2008. Draft instructions for individual schedules may be released as they are completed.